LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)

FINANCIAL STATEMENTS
June 30, 2008

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited the accompanying basic financial statements of Little River Glen Limited Partnership (the Partnership), a component unit of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2008 as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Virginia Housing Development Authority's *Mortgagor/Grantee's Audit Guide*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the accounts of the Partnership and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2008, and the results of operations and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership at June 30, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008 on our consideration of the Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
November 5, 2008

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Introduction

The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment and revitalization programs within Fairfax County as well as towns, cities and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors created the Department of Housing and Community Development (DHCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County's low-to-moderate income residents.

The FCRHA presents this discussion and analysis of its rental program – Little River Glen Limited Partnership (Project No. 003993) (the Partnership) for the fiscal year ended June 30, 2008 to assist the reader in focusing on significant financial issues of the Partnership. The Partnership, which was formed as the Little River Glen Limited Partnership in August 1996, is a 120 unit residential housing and community center facility for the elderly that is operated by the FCRHA.

Partnership's Financial Highlights for Fiscal Year 2008 (FY 2008)

In summary, the Project's FY 2008 financial highlights included the following:

- At June 30, 2008, total assets and liabilities were approximately $6.7 million and $5.5 million, respectively. Total net assets were approximately $1.2 million. Net assets were up $1,845 in FY 2008.

- Total revenues and expenses were approximately $1.56 million and $1.55 million, respectively; thus total net assets increased by $1,845.

- Cash flows from operating activities amounted to $392,017. After considering investing, noncapital financing, and capital and related financing activities, total cash increased by $309,466.

Partnership Financial Statements

This management discussion and analysis presents the Partnership's financial results in three financial statements – the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The FY 2008 financial results are compared to those of FY 2007, thus allowing the readers to ascertain the reasons for changes in expenses, revenues, or net asset balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Summary of Net Assets

The Partnership's FY 2008 and FY 2007 statements of net assets report all financial and capital assets of the Partnership and are presented in a format where assets, minus liabilities, equal net assets. The following table reflects a condensed summary of net assets as of June 30, 2008 and 2007.

Table 1
Summary of Net Assets

	2008	2007	Increase (Decrease)
Current and restricted assets	$ 2,196,635	$ 1,884,131	$ 312,504
Capital assets	4,484,017	4,846,671	(362,654)
Total assets	6,680,652	6,730,802	(50,150)
Current liabilities	462,273	366,816	95,457
Non-current liabilities	5,005,014	5,152,466	(147,452)
Total liabilities	5,467,287	5,519,282	(51,995)
Net assets:			
Invested in capital assets, net of related debt	(650,983)	(428,329)	(222,654)
Restricted	1,109,259	986,207	123,052
Unrestricted (deficit)	755,089	653,642	101,447
Total net assets	$ 1,213,365	$ 1,211,520	$ 1,845

The Partnership's net assets increased by $1,845 in FY 2008 compared to a decrease of $22,394 in FY 2007. This increase in the change in net assets was primarily due to an increase in the Partnership's rental revenues.

Capital Assets and Debt Administration

Capital assets. The Partnership's capital assets as of June 30, 2008 including land, buildings and improvements, and furniture and equipment that totaled $4,484,017, net of accumulated depreciation of $6,483,667. For further details, see note 2, page 13, Capital Assets.

Long-term debt. Bonds payable for the Partnership at June 30, 2008 represent Federal Housing Administration (FHA)-insured mortgage revenue bonds with an original principal balance amount of $6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. During FY 2008, the Partnership made its required principal payments on the outstanding bonds of $140,000. The Partnership's capital assets are pledged as security for the bonds. For further details, see note 3, page 13, Bonds Payable.

Summary of Revenues, Expenses, and Changes in Net Assets

The Partnership's FY 2008 and FY 2007 Statements of Revenues, Expenses, and Changes in Net Assets include operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as County intergovernmental revenues, investment income, and interest expense. In FY 2008, the Partnership experienced an increase in net assets of $1,845. Table 2 presents a condensed summary of data from the Partnership's Statements of Revenues, Expenses, and Changes in Net Assets.

Table 2
Summary of Revenues, Expenses, and Changes in Net Assets

	2008	2007	Increase (Decrease)
Revenues			
Operating revenues	$ 1,181,600	$ 1,087,135	$ 94,465
Non-operating revenues	375,601	368,790	6,811
Total revenues	1,557,201	1,455,925	101,276
Expenses			
Operating expenses	1,239,829	1,154,779	85,050
Non-operating expenses	315,527	323,540	(8,013)
Total expenses	1,555,356	1,478,319	77,037
Change in net assets	1,845	(22,394)	24,239
Total net assets, beginning of year	1,211,520	1,233,914	(22,394)
Total net assets, end of year	$ 1,213,365	$ 1,211,520	$ 1,845

There was an increase in the Partnership's total revenues of approximately $101,276, which was primarily due to dwelling rental increases.

Contacting FCRHA Management

This financial report is designed to provide the citizens of Fairfax County, taxpayers, tenants, and investors and creditors with a general overview of the Partnership's finances and to demonstrate the Partnership's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia, 22030.

FINANCIAL STATEMENTS

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

CURRENT ASSETS	
Cash on deposit with County of Fairfax, Virginia	$ 1,082,776
Accounts receivable (less allowance for doubtful accounts of $1,479)	4,600
Total current assets	1,087,376
RESTRICTED ASSETS	
Deposits held in trust	55,682
Cash with fiscal agent	1,053,577
Total restricted assets	1,109,259
CAPITAL ASSETS (note 2)	
Nondepreciable:	
Land	1,035,634
Depreciable:	
Buildings and improvements	9,922,950
Equipment	9,100
Accumulated depreciation	(6,483,667)
Total capital assets, net	4,484,017
TOTAL ASSETS	$ 6,680,652

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 207,097
Deposits held in trust	55,682
Deferred revenue	37,781
Accrued compensated absences	11,713
Bond payable, current portion (note 3)	150,000
Total current liabilities	462,273
LONG-TERM LIABILITIES	
Accrued compensated absences (note 4)	20,014
Bond payable, less current portion (note 3)	4,985,000
Total long-term liabilities	5,005,014
Total liabilities	5,467,287
NET ASSETS	
Invested in capital assets, net of related debt	(650,983)
Restricted net assets	1,109,259
Unrestricted net assets	755,089
Total net assets	1,213,365
TOTAL LIABILITIES AND NET ASSETS	$ 6,680,652

The accompanying notes are an integral part of the financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2008

OPERATING REVENUES	
Dwelling rentals	$ 1,172,613
Other	8,987
Total operating revenues	1,181,600
OPERATING EXPENSES	
Personnel services	474,826
Utilities	124,336
Repairs and maintenance	235,657
Administrative expenses	42,356
Depreciation	362,654
Total operating expenses	1,239,829
Operating loss	(58,229)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	334,157
Interest revenue	41,444
Interest expense	(315,527)
Total nonoperating revenues, net	60,074
CHANGE IN NET ASSETS	1,845
TOTAL NET ASSETS, BEGINNING OF YEAR	1,211,520
TOTAL NET ASSETS, END OF YEAR	$ 1,213,365

The accompanying notes are an integral part of the financial statements.

LITTLE RIVER GLEN LIMITED PARTNERSHIP
(Project No. 003993)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	$ 1,183,737
Other operating cash receipts	8,987
Payment to employees for services	(464,522)
Payments to suppliers for goods and services	(338,480)
Net changes in deposit held in trust	2,295
Net cash provided by operating activities	392,017
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues received	334,157
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond interest payments	(318,152)
Bond principal payment	(140,000)
Net cash used in capital and related financing activities	(458,152)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	41,444
NET INCREASE IN CASH	309,466
CASH, BEGINNING OF YEAR	1,882,569
CASH, END OF YEAR	$ 2,192,035
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (58,229)
Depreciation	362,654
Effects of changes in operating assets and liabilities:	
Accounts receivable	(3,038)
Accounts payable and accrued liabilities	70,822
Accrued compensated absences	3,351
Deposit held in trust	2,295
Deferred revenue	14,162
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 392,017

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Little River Glen Limited Partnership (the Partnership) was formed in August 1996 as a limited partnership under the laws of the Commonwealth of Virginia for the purpose of acquiring, managing, and financing the Little River Glen Project No. 003993 (the Project). The Project is a 120 unit residential housing and community center facility for the elderly that is operated by the Fairfax County Redevelopment and Housing Authority (the Authority). The Authority controls both the general partnership and limited partnership interest in the Partnership. The facility serves low-to-moderate income elderly persons who are able to live independently and have attained at least 62 years of age.

The accompanying financial statements present only the financial position, changes in financial position, and cash flows of the Partnership and are not intended to present fairly the financial position, changes in financial position, and cash flows of the Authority as a whole in conformity with U.S. generally accepted accounting principles (GAAP).

The accounting policies of the Partnership conform to GAAP as applicable to proprietary fund types of governmental units. The following is a summary of the Partnership's more significant accounting policies.

Measurement Focus and Basis of Accounting

The activities of the Partnership are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Partnership applies all applicable pronouncements of the Financial Accounting Standards Board issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Partnership is following the reporting guidance set forth in GAAP for "departmental" financial statements.

Cash on Deposit with County of Fairfax, Virginia

Partnership cash is maintained within the treasury of the County of Fairfax, Virginia (the County). To optimize investment returns, the Partnership funds are invested together with all other County pooled funds, all of which are fully insured and collateralized. The County allocates investment income to the Partnership based on its average cash balances.

Cash with Fiscal Agent and Deposits Held in Trust

According to the terms of the indenture related to the bonds payable discussed in note 3, page 13, the Partnership is required to maintain funds to service the bonds in an interest-bearing debt service reserve fund. This amount and the interest earned on the reserve fund in addition to other various reserves are reflected as cash with fiscal agent in the accompanying Statement of Net Assets and are fully insured and collateralized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash with Fiscal Agent and Deposits Held in Trust (continued)

Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. These deposits are fully insured.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Project may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Project's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Project will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the investments purchased by the Project are insured or registered or are securities held by the Project or its agent in the Project's name.

Foreign Currency Risk

The Project's cash is limited to U.S. dollar denominated instruments.

Cash Flow Presentation

Cash for purposes of reporting cash flows includes cash on deposit with the County of Fairfax, deposits held in trust and cash with fiscal agent.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than one year. Capital assets are recorded at cost when purchased and at fair market value when donated. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives range from 5 to 27.5 years.

Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Partnership has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue.

Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employee's current rate of pay, up to certain limits. Sick leave does not vest with the employees; however, it is converted to years of service upon retirement. Accumulated vacation is recorded as an expense and an accrued liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary-related payments (e.g., employer's share of social security taxes).

Operating Revenues and Expenses

The Partnership's policy is to report all Project revenues and expenses as operating with the exception of interest income, interest expense and operating transfers from Fairfax County.

Implementation of New GASB Pronouncements

In FY 2008, the Project implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB).

The Project also implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The implementation of this new standard had no impact on the Project's FY 2008 financial statements.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated – land	$ 1,035,634	$ -	$ -	$ 1,035,634
Capital assets being depreciated:				
Buildings and improvements	9,922,950	-	-	9,922,950
Equipment	9,100	-	-	9,100
Total capital assets being depreciated	9,932,050	-	-	9,932,050
Less accumulated depreciation for:				
Buildings and improvements	6,117,677	360,834	-	6,478,511
Equipment	3,336	1,820	-	5,156
Total accumulated depreciation	6,121,013	362,654	-	6,483,667
Total capital assets, net	$ 4,846,671	$ (362,654)	$ -	$ 4,484,017

NOTE 3 – BONDS PAYABLE

Bonds payable at June 30, 2008 represent Federal Housing Administration insured mortgage revenue bonds with an original principal amount of $6,340,000 and interest rates which vary between 4.65% and 6.10% with final payment due September 1, 2026. The Partnership's capital assets are pledged as security for the bonds. Bonds payable activity during 2008 was as follows:

Outstanding balance, beginning of year	$ 5,275,000
Less principal payments	(140,000)
Outstanding balance, end of year	$ 5,135,000

The aggregate amount of the required principal and interest payments on the bonds as of June 30, 2008 is $8,736,503 and is due as follows:

	Principal	Interest
Year Ending June 30:		
2009	$ 150,000	$ 308,884
2010	160,000	299,810
2011	165,000	290,290
2012	175,000	280,324
2013	190,000	269,614
2014-2018	1,135,000	1,161,022
2019-2024	1,895,000	859,645
2024-2026	1,265,000	131,914
Total	$ 5,135,000	$ 3,601,503

NOTE 4 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	$ 28,376	$ 14,261	$ 10,910	$ 31,727	$ 11,713

NOTE 5 – INTERGOVERNMENTAL REVENUES FROM THE COUNTY OF FAIRFAX, VIRGINIA

The County Board of Supervisors appoints the Commissioners of the Authority. During the fiscal year ended June 30, 2008, the County disbursed funds to the Partnership amounting to $334,157 to partially fund debt service. The amount was allocated based on the pro-rata share of operating results among all FCRHA owned and operated elderly projects. The County is committed to continuing to provide funding to ensure that the Project meets its obligations.

NOTE 6 – RISK MANAGEMENT

The Partnership is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Partnership participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County which the Authority's employees participate in. The County provides medical/dental, vision, and life insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from $30 per month to $220 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at $100 per month unless their years of service entitle them to receive a higher monthly subsidy.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability.

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of the Authority are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2008 Comprehensive Annual Financial Report.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Supervisors
County of Fairfax, Virginia

United States Department of Housing
and Urban Development

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited the financial statements of the Little River Glen Limited Partnership (the Partnership) of the Fairfax County Redevelopment and Housing Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Mortgagor/Grantee's Audit Guide*, issued by the Virginia Housing Development Authority.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority, the Partnership's management, and the Virginia Housing Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
November 5, 2008